

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SSO-00 TRSE-00 EB-08 OMB-01 FRB-03

AID-05 COME-00 SS-15 CIAE-00 INR-10 NSAE-00

INRE-00 L-03 CEA-01 XMB-02 /063 W

-----094370 240048Z /62

O 240013Z MAY 78

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 156

C O N F I D E N T I A L LIMA 4496

TO BE DELIVERED OPENING OF BUSINESS MAY 24

ARA FOR DAS BUSHNELL FROM SHLAUDEMAN

E.O. 11652: GDS

TAGS: EFIN, PE

SUBJECT: CENTRAL BANK PRESIDENT'S MISSION TO NEW YORK

1. AS YOU ARE AWARE, MANUEL MOREYRA ARRIVED IN NEW YORK MAY 22 TO TALK TO THE BANKS. HE WAS TO MEET WITH THE STEERING COMMITTEE MAY 23, RETURNING TO LIMA ON THE 25TH. HIS PRIMARY PURPOSE IS TO GET SOME HELP FOR THE PRIVATE SECTOR WHICH IS IN AN INCREASINGLY PRECARIOUS POSITION AS THE SHORTAGE OF FOREIGN EXCHANGE THREATENS TO CUT OFF ESSENTIAL IMPORTS. (YOU WILL RECALL THE PREOCCUPATION ON THIS SCORE EXPRESSED BY THE FOREIGN MINISTER EARLIER THIS MONTH IN WASHINGTON.) I UNDERSTAND MOREYRA ALSO HOPES TO OBTAIN A SMALL AMOUNT OF IMMEDIATE FINANCING FOR CENTRAL BANK OPERATIONS, PRESUMABLY TO BE USED IN STABILIZING THE FOREIGN EXCHANGE MARKET WHILE HE LAUNCHES A PROGRAM OF MINI-DEVALUATIONS.

2. THIS MISSION IS, OF COURSE, THE FIRST CRITICAL TEST FOR THE NEW CIVILIAN ECONOMIC TEAM. MORALES BERMUDEZ NAMED IT IN THE FIRST PLACE OVER AT LEAST SOME MILITARY
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OPPOSITION BECAUSE HE CONCLUDED THAT COMPETENT CIVILIANS WERE REQUIRED IN THESE JOBS BEFORE THE GOP COULD LOOK FOR A MORE FORTHCOMING ATTITUDE FROM THE BANKS AND THE IMF. IN ORDER TO BRING MOREYRA AND THE OTHERS ABOARD HE THEN HAD TO PRECIPITATE THE ANNOUNCEMENTS ON FOOD SUBSIDIES, GASOLINE PRICES AND THE LIKE. THE PRESIDENT TOOK THE PLUNGE DESPITE HIS FEARS THAT THE PRE-ELECTION

POLITICAL COSTS WOULD BE VERY HIGH. HIS FEARS HAVE
PROVED WELL-GROUNDED.

3. SOME MORE OPTIMISTIC PERUVIANS ARE DESCRIBING THE
ACCESSION OF SILVA RUETE AND LANATA TO THE CABINET AS
THE BEGINNING OF THE "THIRD PHASE" OF THE REVOLUTION.
BUT A FOURTH AND MORE OMINOUS PHASE COULD BE WITH US
QUICKLY IF THE NEW TEAM IS UNABLE TO DEMONSTRATE EARLY
PROGRESS ON THE FINANCIAL FRONT. MOREYRA'S MISSION IS
THEREFORE MOST IMPORTANT. I HOPE WE WILL DO WHAT WE CAN
TO MAKE THE BANKS AWARE OF THAT FACT -- AND OF WHAT SEEMS
TO ME THEIR OWN SELF-INTEREST IN THE SUCCESS OF THE NEW TEAM.
SHLAUDEMAM

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